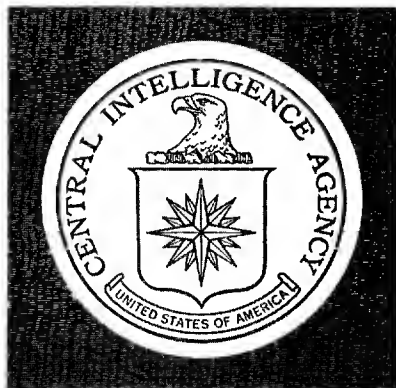


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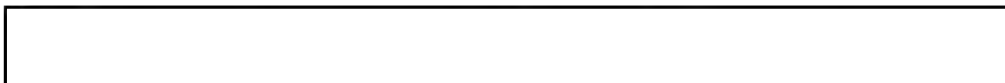
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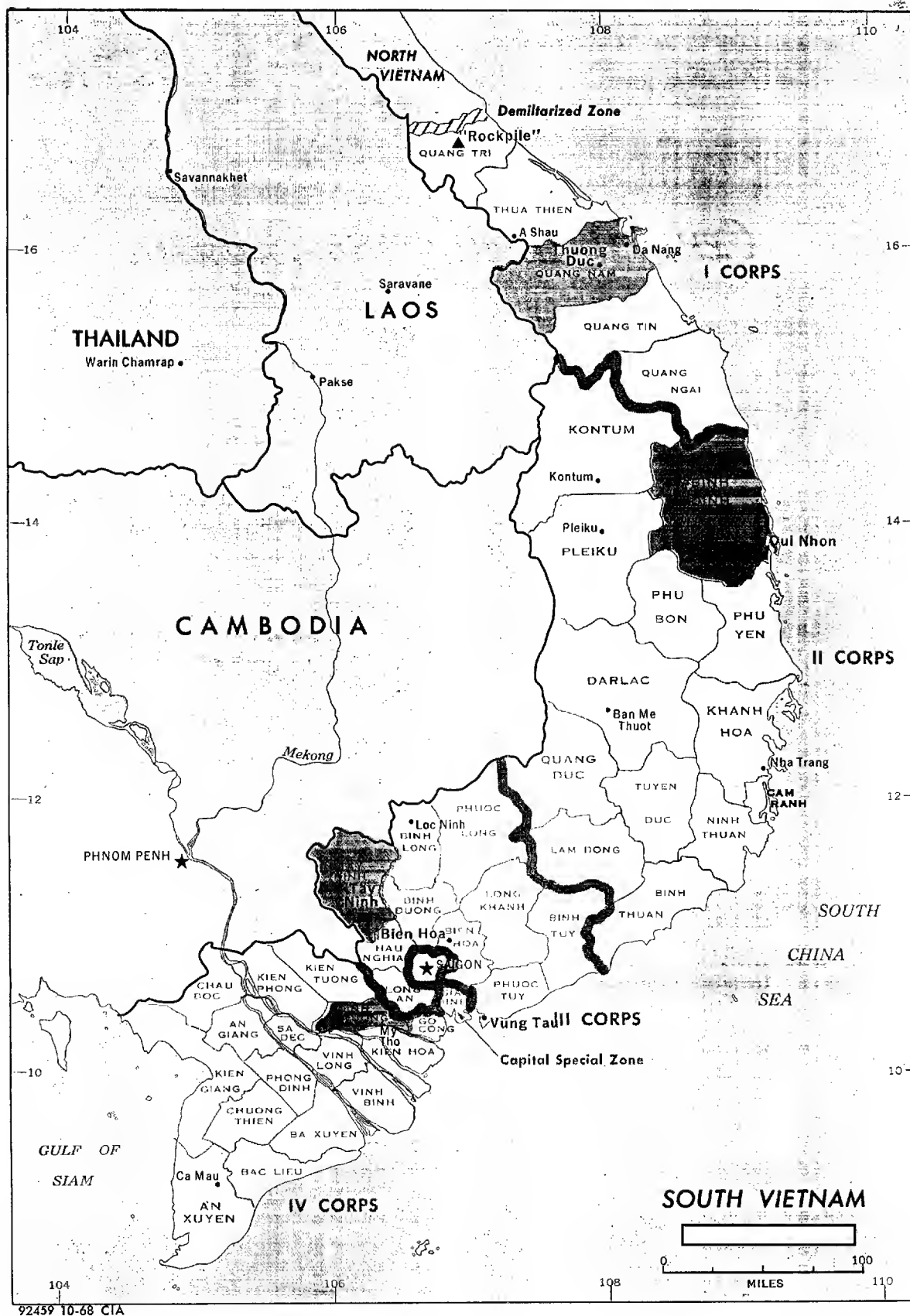
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[South Vietnam: The Saigon government has reduced some of the opportunities for graft in IV Corps by changing trade regulations which supposedly have been used to deny rice supplies to the Viet Cong.

On 25 September, the government removed some of the restrictions on the movement of rice in the delta which have hampered the flow of trade and been a source of graft for province officials there since the mid-1950s. Rice merchants in IV Corps and Long An Province--rice surplus areas--will no longer be required to obtain a permit from the province chief to ship rice out of the province to Saigon or to other provinces in the delta.

Since 1955, province chiefs have been able to interrupt the free flow of trade by holding up shipments of rice in order to stabilize local rice prices, to await--and produce--higher prices in Saigon, or to help merchant friends maintain monopolistic controls over rice trade in their provinces. Moreover, the issuance of rice export permits often came only after bribes were paid to the chiefs or their subordinates.

The new regulations do not, however, eliminate all restrictions on the movement of rice within the delta or all opportunities for corruption. All commodities must still pass through police checkpoints on the roads and waterways, and rice shippers are required to fill out a declaration for record-keeping purposes.

Controls over the movement of rice to rice deficit provinces in I, II, and III corps are not affected by the new regulations. Rice shipments in these areas remain under the control of the central government. Each province chief in these corps areas still determines the additional rice requirements of his province and authorizes merchants to act as wholesalers. [REDACTED]

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Peru: The military government is planning a broad campaign to discredit the former administration, as well as the political parties and congress.

The first victims of the "moralization" campaign are three of Belaunde's cabinet ministers who were involved in the agreement with the International Petroleum Company last August. The ministers are charged with "extortion against the state" for their role in that agreement. The military apparently intend to continue the campaign with a series of sensational disclosures and charges against the Belaunde government generally, the political parties, and members of congress. [REDACTED]

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The new government, however, is using much of the Belaunde administration's fiscal program in its own austere economic policy. It plans to follow through with the foreign debt refinancing begun under Belaunde as well as to retain the tax increases decreed by him. In addition to drawing on Belaunde's program, the military intend to cut expenditures--possibly including even the military budget--to hold down wage increases and to reform the working of government ministries.

The military are in a better position to carry through reforms than was Belaunde. They have widespread popular support for their expropriation of the International Petroleum Company holdings, and the campaign against corruption should distract public attention from the country's economic failings. [REDACTED]

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France: The leadership of the French Communist Party has thus far successfully resisted Soviet efforts to bring the party back into line on the Czechoslovak issue.

At a special session of the central committee early this week Secretary General Waldeck Rochet rallied the party's top leadership in support of his dual policy of condemning the Soviet invasion while avoiding an open break with Moscow. The communiqué issued at the end of the meeting referred to a unanimous rejection of "the point of view of comrade Jeannette Thorez-Vermeersch," a Stalinist war horse who led the fight against Rochet's policies and who has now resigned from both the politburo and the central committee.

The communiqué indicates that the central committee balanced this by reprimanding liberal Roger Garaudy for his strong anti-Soviet pronouncements. It also announced that a meeting will be held with the Soviet Communist Party on 4 November to discuss differences between the two "fraternal parties." The meeting will be the first between the top leaders of the two parties since Rochet went to Moscow in August to warn against military intervention in Czechoslovakia.

Rochet has a difficult task before him. The Soviets are likely to press the French party to recognize that the invasion was justified, and failing that, at the very least to cease all criticism of the action. The Soviets will cite the treaty legalizing the posting of troops in Czechoslovakia as progress in the "normalization" of Soviet-Czechoslovak relations. To agree to this--probably the minimum required to satisfy Moscow and pro-Soviet elements in the French party--would lead to a new outcry from party liberals. More importantly, it would severely damage the French party's already weak domestic position and further strain its tenuous links with the non-Communist left. [REDACTED]

[REDACTED]

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Burma: Rangoon's crackdown on rice black marketeers has brought in more rice for export than was expected, but may lead to a smaller over-all rice crop in 1969.

Ne Win's heavy-handed treatment of rice black marketeers has caused a virtual collapse of black-market rice prices and has led farmers to dispose of some of their surplus rice through government channels. As a result, the government now has more rice for export than earlier estimates suggested.

Until 1964 Burma was one of the world's leading rice exporters, but exports have since fallen markedly, largely because of government policies. In 1963, rice exports amounted to 1.7 million tons, but this year they will be only 450,000 tons at best--the lowest level since World War II.

The Burmese Government pays the farmer so little for his rice--less than in any other Asian country--that he usually sells his crop on the black market. The government's repression of this market may have led the farmers to plant even less rice for next year's crop.

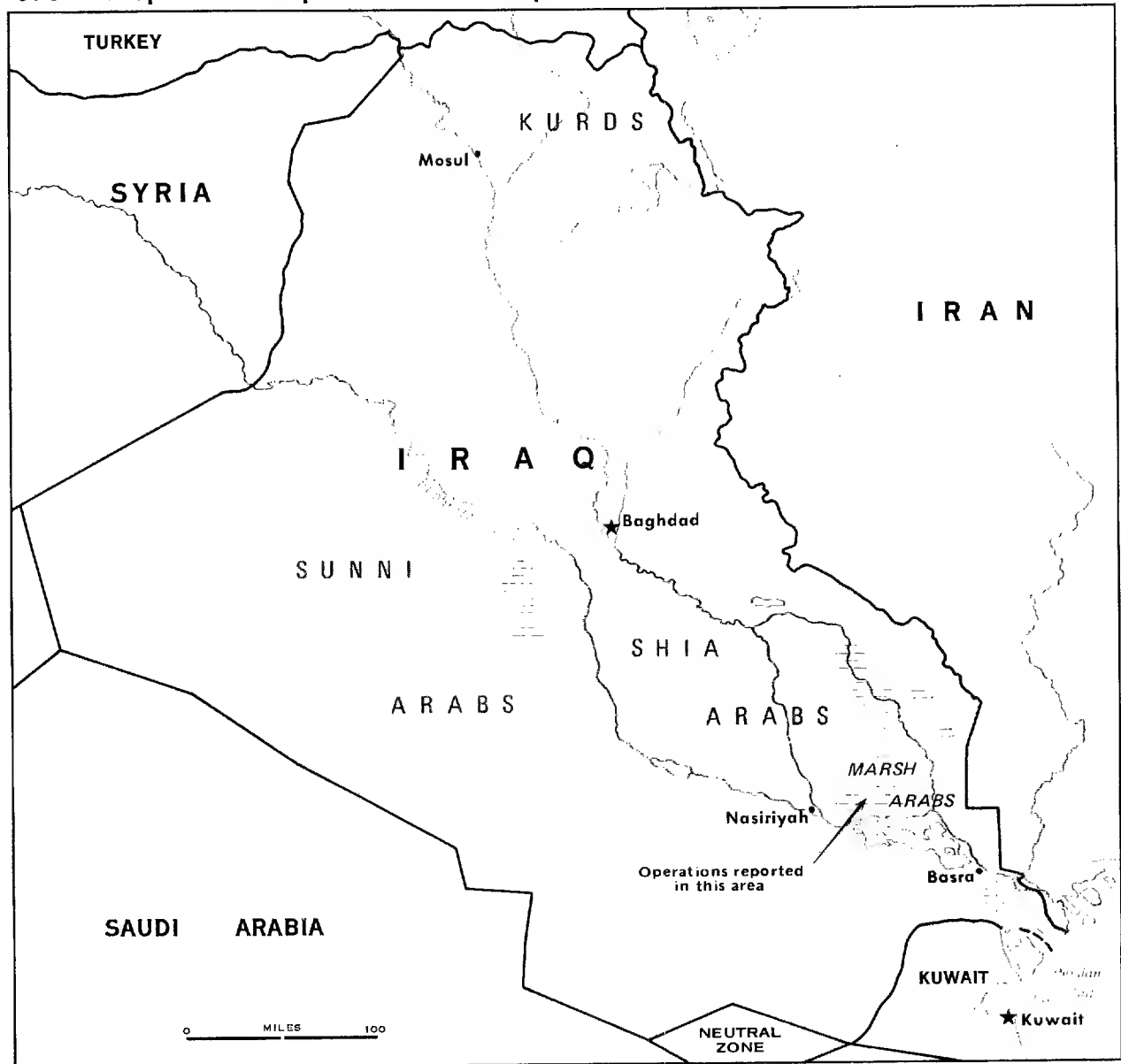
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Guerrilla Operations Reported in South Iraq



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Iraq: A small group of Guevara-style guerrillas is reportedly operating in the marshes of southern Iraq.

The "Al Hajj" faction of the Iraq Communist Party--a splinter group which has declared itself independent of both Moscow and Peking--has reportedly been carrying out small-scale guerrilla operations for some months. Although information is scanty and in most cases unreliable, one report puts the number of active Communists involved at only 75 to 100. Their activities have consisted mainly of isolated attacks on police posts and official cars. The most serious attacks, which occurred last summer, forced the government to send in reinforcements from Nasiriyah as well as a mobile police company from Basra.

The Al Hajj group is reportedly trying to exploit discontent among Iraqi adherents to the Shiah sect of Islam. Although the Shiahs make up 55 percent of the Iraqi population, they have always been discriminated against by the Sunni minority, who monopolize both the civil government posts and the officer corps of the army. So far, however, the Al Hajj group seems to have failed to mobilize any significant support among the Shiahs.

This failure may be because the Al Hajj are operating on the fringe of the settlements of the Marsh Arabs--one of the most unique and isolated peoples of the Middle East. The Marsh Arabs are extremely religious Shiahs who are unlikely to be amenable to Marxist ideas; even Iraq's present socialist government offends their innate conservatism. They are poor but self-sufficient, and have never been exposed to the unsettling currents that exploitation of oil has brought to tribal societies elsewhere in the area.

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The Al Hajj guerrillas are reportedly talking of a "peasant uprising" in the south, to be coordinated with a renewal of the Kurdish war in the north--presumably no earlier than next spring. The area is ideally suited for guerrilla operations, and, even though the group lacks wide support, the government may find itself unable to eradicate the guerrillas. If a Kurdish uprising did in fact take place simultaneously, it might well unbalance a central government already threatened by serious internal differences.
(Map)

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Sudan: The recent reunification of the Umma Party could lead to a no-confidence vote in Khartoum's Constituent Assembly and to the formation of a new government.

The party, divided by factional differences in mid-1967, was further split after the national elections in May 1968. At that time the Imam of the Ansar sect led his faction of the Umma into a merger with the radical coalition of the National Unionist Party and the Egyptian-oriented People's Democratic Party. The remaining faction was left in disarray under Umma president Sadiq al-Mahdi, former prime minister and nephew of the Imam, whose assembly seat was also a casualty of the election. The radicals in the coalition have since dominated the government and followed an extreme leftist line, particularly in the area of foreign policy.

As lineal and spiritual descendants of "the" Mahdi who massacred the Sudan's Anglo-Egyptian administrators in 1885, the Umma leadership is traditionally anti-Egyptian. The Imam is reported to have now grown fearful that his partners in the coalition are paving the way for Egyptian domination, and he has therefore effected a reconciliation with Sadiq to reunite the Umma.

If the reunification sticks, the Umma may have a good chance of attracting enough support from other anticoalition assembly members to overturn the present government. Sadiq has indicated that he favors the formation of a national government which would be dominated by the Umma but would include members of the present government as well. He claims that at this time he has no intention of participating in the government directly, though he may seek to regain his lost seat through a by-election. [REDACTED]

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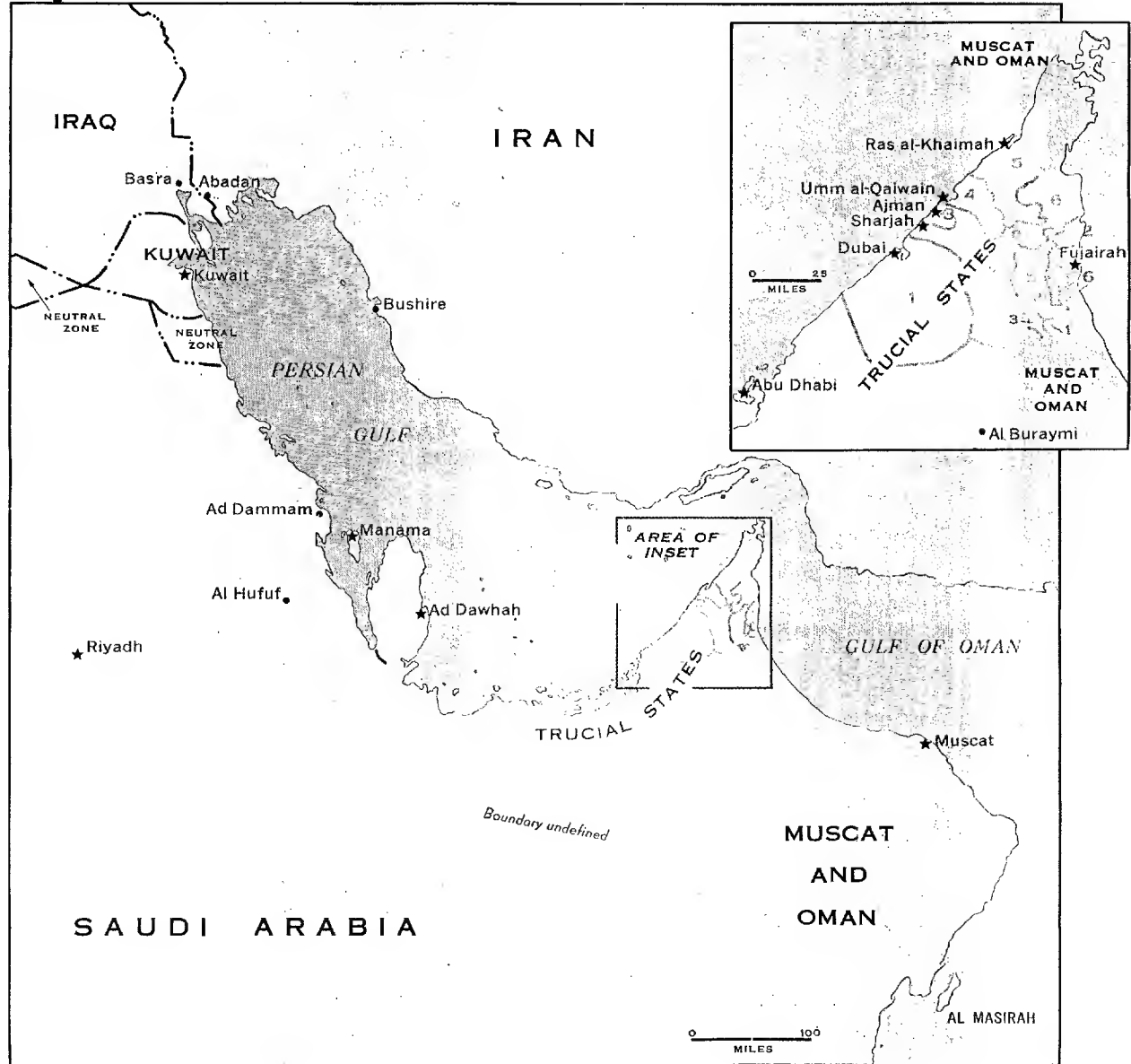
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Progress Seen in Arab Federation Effort



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Yugoslavia: Yugoslavia has announced a supplementary defense allocation for 1968 of \$32 million, citing the current world situation as the cause. The announced increase, which may be related to expenses connected with the current mobilization, adds weight to a recent speech by President Tito warning that Yugoslavia would resist any invader. The 1968 defense budget now amounts to \$514 million, about 20 percent above the 1967 military figure. Expenditures under the supplementary allocation are to be covered largely from a budgetary surplus that the government expects this year. [REDACTED]

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Persian Gulf: The embryonic Federation of Arab Amirates seems to be making a determined effort to keep itself alive. The rulers of the member states held their second meeting in Qatar from 20 to 22 October. They agreed to set up a joint defense force, leaving each state in charge of its own internal security forces. Committees have been organized to examine policy unification in economic and social fields.

The fact that the meeting took place at all and that the rulers reportedly worked with a spirit of cooperation and determination to make progress is encouraging, but it is not yet possible to predict that the federation will be a success. [REDACTED]

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Lebanon: Another round in the struggle between Lebanon's evenly matched parliamentary blocs ended on 22 October with the election of a new speaker of the Chamber of Deputies. Supporters of former president Shihab elected their candidate through a combination of defections from the ranks of ex-president Chamoun and of voting abstentions [redacted]

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[redacted] The victors may now attempt to press their advantage by demanding a new cabinet dominated by Shihabists, a move which could unsettle the present uneasy political truce. [redacted]

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Bolivia: Christian Democratic students in coalition with pro-Soviet Communists overwhelmingly won the elections at the National Student Congress. The congress, which was clearly sympathetic to the late Che Guevara, called for Bolivia to break relations with the US. It also voted to break with the democratic-oriented international student federation and establish full membership in the Cuba-sponsored and Moscow-oriented international federations. This strengthens Communist domination of Bolivian student politics and presages a continuation of student demonstrations, especially if the Communists maintain control of the La Paz local federation. [redacted]

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Guyana: The coalition of Prime Minister Burnham's People's National Congress and ex-finance minister D'Aguiar's United Force fell apart yesterday when the latter refused to support an electoral bill Burnham is determined to push through parliament. The prime minister believes he has enough votes even without United Force support to get his legislation passed and therefore his government is not expected to fall. Furthermore, Burnham intends to dissolve parliament next month in preparation for national elections in December and the electoral bill was the last major legislation scheduled. [redacted]

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